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DD/S REGISTRY  
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E DEC 1969

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Inspector General's Report of Survey of the  
Office of Logistics

REFERENCE : Memo dtd 19 Sept 69 to DD/S fr Ex. Dir-Compt.,  
same subj

1. This memorandum forwards, for your information, comments on the Inspector General's Survey of the Office of Logistics.

2. While the Inspector General has identified a number of subjects which he believes are susceptible of improvement, we are pleased with his over-all evaluation of the Office contained in the Introduction of the report.

"In general, we find that the Office of Logistics is well organized and well managed and that a large proportion of its personnel is qualified, well motivated and dedicated to the concept of rendering service. Throughout our survey we found the Agency components served by the Office to be virtually unanimous in their appreciation of its efforts, which have ranged from small, personal services to programs of major magnitude such as the provision of logistical support to southeast Asian operations."

3. That an office is well managed and serves its customers to their satisfaction are two critical tests in assessing the performance of any Agency support function. I believe these tests should be kept in mind in weighing appropriate actions to be taken on the different recommendations in the report. I refer in particular to recommendations to change the organization and management structure of the procurement function, which drew considerable attention in the report. Not only has the present management structure of Logistics met the test of successful operation in the procurement field, it has taken the lead or participated in actions designed to avoid embarrassment and adverse publicity to the Agency. For example, the Office of Logistics has worked to phase out com-



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4. The demonstrated ability of the Office to operate successfully in the procurement field and to take the initiative to head off trouble to the Agency casts serious doubt on the need for or the wisdom of several of the report's recommendations, which if taken collectively, would have the effect of moving the Agency toward a more centralized procurement system. These recommendations include establishment of the new position of "Assistant Deputy Director of Logistics for Contracting" with command authority over procurement (No. 12); replacement of the Contract Review Board with an Agency Contract Policy Review Board reporting to the Deputy Director for Support (no.24); rating of all contracting officers by Office of Logistics personnel, regardless of assignment (No. 16); and the supervision of NRP contracting done by CIA on the same basis as Agency-appropriated fund contracting (No. 11). Although the report indicates that our present decentralized system has been in operation for almost two years, it was introduced incrementally following the action taken on the [redacted] Study," and has been fully operative only since March 1969. Bearing in mind that the system appears to be working well, I believe that over the next year the full benefits of the current organization will become even more apparent. The top management of the Office of Logistics also strongly supports continuation of the present decentralized system in order to gain additional experience with this method of organizing Agency procurement.

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5. All of the Inspector General's recommendations have been considered in depth, and the paragraphs which follow are my comments on each recommendation.

Recommendation No. 1

"That the Director of Logistics:

- a. Broaden the base of participation by division chiefs in the decision-making process on personnel assignments, reassignments, and promotions.
- b. Establish and enforce a program which will ensure that branch and section chiefs participate with their division chiefs in the process of personnel management and career planning for employees under their jurisdictions, perhaps to include at least annual employee counseling.

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Action or Comment

a. Concur. Each division chief currently makes recommendations to the Director of Logistics about personnel assignments, reassignments, training, and promotion for his personnel, but division chiefs are not convened as a body to debate or vote on specific individual personnel actions throughout the Office of Logistics. However, establishment of one or more career service panels is again under consideration.

b. Concur. Before an employee is reassigned, each division chief has been requested to discuss the proposed assignment with the branch chief. Branch chiefs initiate recommendations for promotions and quality step increases. Each division chief is being encouraged to bring about a greater degree of participation by their branch and section chiefs in personnel management and career planning. Annual employee counseling is now being performed when the Fitness Report is prepared and more frequently as appropriate.

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d. Concur."

Recommendation No. 2

"That the Director of Logistics negotiate with the Director of Security an agreement that all industrial security officers serving with the Office of Logistics be assigned to the Office of Logistics Security Staff for training and for subsequent reassignment to the independent contracting teams and staff components."

Action or Comment

This recommendation will be implemented as security officers who are assigned to the Office of Logistics are available for such training.

Recommendation No. 3

"That the Director of Logistics, in consultation with the Director of Security and, as necessary, with appropriate Deputy Directors, establish the policy that the Chief, Security Staff, Office of Logistics, shall be the reviewing official on fitness reports of Office of Security personnel assigned to the independent contracting teams."

Action or Comment

Non-concur, as it is basic Agency policy that personnel assigned to an operating component come under the command jurisdiction of that component, including the component's right and responsibility to both rate and review the fitness reports of support personnel. The Directors of Security and Logistics are agreed, however, that the Chief, Security Staff, Office of Logistics should be permitted to examine and to make comments on fitness reports of Office of Security personnel assigned to independent contracting teams, and will so propose to the appropriate Deputy Directors.

Recommendation No. 4

"That the Director of Logistics explore with the Deputy Director for Science and Technology the feasibility and the desirability of subordinating

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Action or Comment

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Recommendation No. 5

"That the Deputy Director for Support consider transferring responsibility for the Agency Safety Program, along with slots, from the Office of Security to the Office of Logistics."

Action or Comment

Non-concur, as it is in the best Agency interest that there be a separation of command between the safety program and offices responsible for logistical support which are most affected by the program. The matter of the optimum organization location of the Agency's safety program was studied extensively as part of the recent review of the Building Security Committee. I believe that the close functional relationship between security and safety and the proven capacity of the Office of Security to conduct independent inspections provide a firm basis to retain the safety program in Security.

Recommendation No. 6

"That the Director of Logistics take action to redesign and renovate the office space [Redacted]"

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Action or Comment

Concur, subject to the availability of funds.

Recommendation No. 7

[Redacted]

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Recommendation No. 8

"That the Director of Logistics initiate with the Director of Finance a study to examine the present procedures used in the financial property accounting system to achieve still further simplification of those procedures and liberalize property and financial property account requirements in the Type II and Type III accounts."

Action or Comment

Agree in principle with this recommendation, but note that under the planned SIPS Systems, the concept of separate Types I, II, and III accounting systems as now employed will disappear. Given the expectation that SIPS will become operative in 1972, implementation of this recommendation would amount to a costly expedient. I would, therefore, prefer to live with the present system for the next two years rather than change now and then change again.

Recommendation No. 9

"That the Director of Logistics revise present practice so as to provide that administration of procurement actions assigned to Procurement Division is conducted by the unit and officer undertaking the procurement action."

Action or Comment

X1 The present system is working well. The administration (followup) of Procurement Division actions directly to the vendor by Central Control and Distribution Branch (CCDB) is limited to those actions initiated by the General Procurement Branch [ ] or Contract Branch procurement). Prior to the establishment of CCDB, the followup on these same actions in the Procurement Division was undertaken by an element which was not a part of the General Procurement Branch. The Director of Logistics believes it is not essential that procurement officers do the followup on actions they initiate with vendors. For these reasons, I do not concur.

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Recommendation No. 10

"That the Director of Logistics and Chief, Supply Division, consider the consolidation of the Central Control and Distribution Branch and [ ] or take steps to reduce duplication and to revise the procedures employed by the units."

Action or Comment

Admittedly there is some duplication between Central Control and Distribution Branch (CCDB) and [ ] which could be eliminated if the Ames Building and the [ ] were in the same location. This applies particularly to the reproduction of action documents. There are, however, significant differences in the scope of the two activities which would need to be accommodated even if consolidation in the same location were feasible. The work of the CCDB extends to requisitioning of items anywhere in the CIA system -- not just [ ] - or through outside procurement.

Prior to establishment of the Central Control system, requisitions flowed into four or five different elements of the Office from the requisitioning Agency component and a like number of telephone inquiries might be necessary in order to trace a requisition. The present system has enabled the Office to maintain effective follow-up action on requisitions, and has greatly improved relations with all Agency components served by Supply Division.

Inasmuch as the duplication is more apparent than real, and given the problem of physical separation, I recommend that the current organization and procedures of CCDB and [ ] remain unchanged, in the expectation that the SIPS System will largely eliminate duplication in Logistics control procedures.

Recommendation No. 11

"That the Deputy Director for Support prepare and submit to the Director of Central Intelligence for approval recommendations designed to accomplish:

a. The reaffirmation of the policy established in [ ] delegating procurement authority to the Director of Logistics and authorizing him to redelegate that authority.

b. The rescission of all other existing extraordinary delegations and redelegations of procurement authority.

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c. The redelegation of contracting authority by the Director of Logistics to the heads of the various independent contracting teams.

d. The establishment of procedures whereby all contracting activities obligating funds budgeted by the Agency would be subject to policy and procedural review by the Director of Logistics or his agents. "

Action or Comment

As noted above, the recommendation would have the Director of Logistics assume responsibility for contracting actions undertaken by OSP and OSA in the execution of the National Reconnaissance Program (NRP). As far as the Director of Logistics and I are aware, contracting for the NRP is currently on a sound and responsible basis and I can perceive no reason from an operating point of view to make the recommended change. Moreover, such a change would affect Agency equities -- for example, the relationship with the Director, National Reconnaissance Office -- which transcend the interests of the Directorate of Support. If you believe that further exploration of this recommendation is necessary, I suggest you refer the subject to the Deputy Director for Science and Technology for his comments.

Recommendation No. 12

"That the Director of Logistics:

a. Relieve the Chairman of the Contract Review Board of his responsibilities as Special Assistant to the Director of Logistics.

b. Establish the new line position of Assistant Deputy Director of Logistics for Contracting and assign to the officer occupying the position responsibilities essentially as enumerated in paragraph 21, above. "

Action or Comment

a. Nonconcur. The recommendation implies there is a "conflict of interest" in having the same officer function as Chairman of the Contract Review Board and staff assistant to the Director of Logistics on procurement matters. As the Board is advisory to the Director of Logistics, we can

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perceive no more "conflict of interest" in this situation than in having the Deputy Director for Science and Technology function as the Director's senior R&D coordinator throughout the entire Agency. Moreover, experience to date shows that the position of Chairman does not involve a full-time effort.

b. This proposal is the key measure of several recommendations which, taken together, would return the Agency to a centralized procurement system. As discussed above, the present system, which became fully established in early 1969 following action taken on the [ ] appears to be working well. I endorse the Director of Logistics' suggestion that we continue the present decentralized system in order to secure additional experience. I also note that creation of the new position of Assistant Deputy Director of Logistics for Contracting is additionally difficult to implement in this period of tightened personnel ceilings. "

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#### Recommendation No. 13

"That the Director of Logistics extend an invitation to the Contracting officers of the Offices of Special Activities and of Special Projects to attend and participate in the Procurement Officers' Monthly Meetings. "

#### Action or Comment

Invitations have been extended to the Senior Contracting Officers of OSA and OSP who are aware of the time and place of the monthly meetings.

#### Recommendation No. 14

"That the Deputy Director for Support:

a. Create a Directorate for Support contracting team consisting of personnel drawn from the [ ] and the research and development contracting activities of the Procurement Division and augmented by appropriate security and audit advisors.

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b. Consider attaching the Directorate for Support contracting team to the Office of Communications. "

#### Action or Comment

a. Non-concur, as I perceive little advantage to be gained and, as noted in my comment in Recommendation No. 15, there is considerable value in maintaining the current structure and responsibilities of Procurement Division.

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b. Additionally, as the present system represents the preference of the Office of Communications, I do not concur. "

Recommendation No. 15

"That the Director of Logistics:

a. Abolish the Procurement Division of the Office of Logistics.

b. Establish in its stead a Purchasing Division composed of the [redacted] the Registry and Document Control Branch, the Covert Procurement Branch, and the [redacted] of Supply Division."

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Action or comment

Non-concur, as I believe there is considerable merit in retaining the Procurement Division in its present organizational form. Elsewhere in the report (pp. 96 and 97), the point is made that the present system of independent contracting teams serving the other three Directorates appears to have eroded certain aspects of a procurement officer's career service. While agreeing that the scope of Procurement Division responsibilities have been reduced, as an operating element it continues to reflect all facets of purchasing and procurement and provides an excellent professional entry point to expose newly hired procurement personnel to the totality of the Agency procurement spectrum. Its formal type of organization allows a young officer to spend a period of time in the three identifiable functions of procurement of negotiation, administration, and settlement. With this background, the officer is then better equipped, upon assignment to an independent team, to function in the "womb-to-tomb" mode where he is responsible for all three functions.

Recommendation No. 16

"That the Deputy Director for Support:

a. Negotiate with the other Deputy Directors an agreement that (1) fitness reports of the heads of the independent contracting teams will be prepared in the Office of the Director of Logistics and (2) that fitness reports of other Logistics officers assigned to the independent contracting teams will be reviewed in the Office of the Director of Logistics.

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b. Designate the Assistant Deputy Director of Logistics for Contracting as the officer responsible (1) for preparing fitness reports on the heads of the independent contracting teams for review by the Director of Logistics and (2) for reviewing fitness reports on Logistics subordinates prepared by the heads of the independent contracting teams."

Action or comment

Non-concur. As noted in the response to Recommendation No. 3, it is basic Agency policy that officers are rated by the component to which they are assigned. This policy has been in effect for Support Careerists since 1952. It should be noted that the Director and/or Deputy Director of Logistics do examine, for their information, the fitness reports prepared on all Logistics careerists, regardless of where they are assigned.

Recommendation No. 17

" That the Director of Logistics assign to the Assistant Deputy Director of Logistics for Contracting responsibility for the analysis of outstanding contracts in settlement with a view toward identifying instances of undue delay and finding ways to hasten settlement. "

Action or comment

I agree completely with the thrust of the recommendation, but do not agree with the specific solution which is suggested (see my comment on Recommendation No. 12b concerning the proposal to establish an Assistant Deputy Director of Logistics for Contracting). The Office of Logistics has made a continuing effort to alleviate this problem; the Director of Logistics has indicated he will diligently pursue the goal of expediting overdue settlements. As the report acknowledges, a number of contributing factors which cause delays in settlement lie outside the Agency's control.

Recommendation No. 18

"That the Director of Logistics:

a. As a service of common concern to the [redacted] Office and the decentralized contracting teams, assume responsibility for the centralized dispatch and receipt of all internal Agency correspondence between headquarters and the [redacted] Office.

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X1 b. Require the [ ] Office to submit documentation in one copy only with the understanding that the Office of Logistics will reproduce such additional copies as may be needed by the contracting teams."

Action or comment

X1 Non-concur, as there appears to be no advantage in adopting this procedure. The Office of Logistics at one time did function as a central point of contact in Headquarters for all transactions with the [ ] Office. Because of delays which resulted, the present procedure was adopted.

Recommendation No. 19

"That the Deputy Director for Support explore with the Deputy Director for Science and Technology the feasibility of merging the CONIF and ACORN data bases into a single, Agency-wide contract information system."

Action or comment

The same proposal was thoroughly investigated by the SIPS staff in early 1969 which found that the disparate purposes and coverage of the two systems required variations in the data bases which, in turn, could be more adequately and simply served by separate systems. The Director of Logistics has undertaken further study of the CONIF System and has initiated steps to improve its data content and programming. Additionally, the contract evaluation feature of ACORN will be incorporated into CONIF. With this upgrading and given the findings of the SIPS staff, I am satisfied that the CONIF System should be continued and that it will adequately serve the Office of Logistics' responsibilities to the Agency.

Recommendation No. 20

"That the Deputy Director for Support direct:

a. That the Contract Review Board concentrate its efforts on the monitoring of the overall effectiveness of Agency-wide procurement policies, procedures, and practices.

b. That the results of these efforts be reflected in an annual report to the Director of Central Intelligence, with recommendations for the resolution of problems and the correction of deficiencies.

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c. That the annual report address all facets of the Agency's organization, philosophy, and methods of contracting, to include availability and capabilities of personnel, management techniques and tools, and strengths and deficiencies by category and by case. "

Action or comment

a. The Director of Logistics and I agree that the Board should interest itself increasingly in contract policy and less in individual contract review. In its initial period, the Board, as the report acknowledges, had considerable reservation about its capability to function effectively in a role of policy review and formulation. With the experience the members have accrued, I believe the Board is now equipped to play a more substantive role in procurement policy, procedure and practices.

b. and c. Concur in principle. I have requested the Director of Logistics to have the Contract Review Board prepare and submit to him an annual report including recommendations as appropriate, which he will forward to senior Agency management. I have left to the Board's discretion what should be included in the report.

Recommendation No. 21

"That the Deputy Director for Support establish with the Chairman, Contract Review Board, an understanding that the Board's authorities extend to include review of external analytical and production contracts and so inform all Agency components engaged in these categories of contracting activities."

Action or comment

The Contract Review Board has thus far taken the position that its primary focus of attention should be on research and development contracts. The Director of Logistics, however, has the authority to bring all classes of contracts to the Board's attention. As a matter of policy, he will now refer contracts for external research to the Board because, while such contracts are merely a means of purchasing intelligence reports from private institutions, they do represent cases with unique implications for the Agency. He will also bring production contracts to the Board's attention when their uniqueness or complexity might justify consideration by the Board.

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Recommendation No. 22

" That the Deputy Director for Support seek revision of  or its successor issuance, to provide for automatic consideration by the Contract Review Board of contracts valued in excess of \$250 thousand. "

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Action or comment

While I do not disagree with the threshold proposed, the \$150,000 limitation established as the basis for Contract Review Board action was chosen to reflect the limit now used as the maximum operational approval authority delegated to a Deputy Director. We would prefer to continue our policy of having the Board level be consistent with this threshold and have the Board's cognizance changed as adjustments are made in this authority.

Recommendation No. 23

" That the Deputy Director for Support seek authorization, either by consultation with the other Deputy Directors or, if necessary, by referral to the Director of Central Intelligence, for the Contract Review Board to have access to any and all information (except as specifically exempted by competent authority), or to the advice of any Agency personnel, that may be required for its determination of the desirability and validity of contracts referred to the Board for consideration. "

Action or comment

It is my understanding that this recommendation is based on a single instance in which the Board initially requested and then, of its own accord, agreed to forego a full operational briefing on a sensitive project and instead relied on the presence of technical officers to supply information needed in the Board deliberations on the project. I believe the present arrangement for access to compartmented information within the restraint of "need to know" permits the Board to function effectively. Should a similar situation arise, I would prefer to handle it on an individual basis through regular channels, rather than work out a new blanket authority for the Board.

Recommendation No. 24

" That the Deputy Director for Support make the Agency Contract Review Board advisory to him rather than to the Director of Logistics; and that he change the name to the Agency Contracting Policy Review Board. "

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Action or Comment

Non-concur, I look to the Director of Logistics as the responsible Agency officer for all Agency contracting actions (except those specifically exempted by the Director). The Contract Review Board was established to advise the Director of Logistics and I prefer to continue to have the Board report to him.

*LS/*

R. L. Bannerman  
Deputy Director  
for Support

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